

104
HAITI: WHERE HAS ALL THE MONEY GONE?

Y 4. IN 8/16:H 12/6

Haiti: Where Has All the Money Gone...

HEARING
BEFORE THE
SUBCOMMITTEE ON
THE WESTERN HEMISPHERE
OF THE
COMMITTEE ON
INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

JUNE 20, 1996

Printed for the use of the Committee on International Relations



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HAITI: WHERE HAS ALL THE MONEY GONE?

THURSDAY, JUNE 20, 1996

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WESTERN HEMISPHERE,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The subcommittee met, pursuant to call, at 12 p.m. in room 2172, Rayburn House Office Building, Hon. Dan Burton (chairman of the subcommittee) presiding.

Mr. BURTON. We will go ahead and start this hearing.

We are here today to obtain testimony regarding a very important and timely matter. Despite the best efforts of the Clinton administration, questions about Haiti simply will not go away. After a massive intervention that took place contrary to the wishes of most of the Congress and the majority of the American people, huge resources were poured into that country. Today, almost 2 years after that intervention, what does America have to show for it?

The Administration wants desperately to present Haiti as a foreign policy success story. Sadly, that is just not the case. But now there is also an added element. We deserve to see what happened to the hundreds of millions of dollars that have been sent to Haiti. Have they brought stability and prosperity to Haiti? If not, why not?

The sad fact of the matter is that Haiti today, despite the trappings of a democracy, is still mired in corruption, violence and poverty. It is simply not enough to say that an election was held or that fewer people were murdered than before. Such low standards are an insult to the Haitian people who deserve better, and they threaten to condemn the long-suffering Haitians to an indefinite future of more of the same.

The American people are entitled to an accounting of the huge sums of money that have been spent on Haiti. All too often, policy-makers, whether in Congress or the executive branch, take the taxpayers for granted. Too little thought is given to the interests and judgments of the American people. The money we so cavalierly disburse and throw around does not belong to us. It belongs to those who by the sweat of their brow, earn money, take care of their families, and pay taxes.

So today, we plan to ask questions about whether our taxpayers are being well served in Haiti. There are several specific problems we hope to explore and illuminate here today. Why does the poorest nation on Earth spend millions of dollars on Washington lobbyists? Where does this money come from? Does it come from the

American taxpayers' money we send down there? Where does a poor populist ex-priest get the money to buy a \$1.5-million second home, and where does he get the money to pay for the adjacent property to his old home? And why was a person who lived next door, who refused to sell his property, murdered in front of his teenage daughter? These and other issues need to be resolved, and I hope we can begin the process here today.

Mr. BURTON. Before we turn to our distinguished colleague, Porter Goss, for his remarks, I would like to ask our colleague from Florida, the ranking Republican, Ileana Ros-Lehtinen, for her opening statement.

Ms. ROS-LEHTINEN. Thank you very much, Mr. Chairman.

First of all, I would like to point out that you are starting a very dangerous precedent here in Congress by starting your committee on time. Let's hope that doesn't catch on. But thank you, Mr. Chairman, for once again bringing up a topic that is very important to our Nation, but most especially important to our community.

In south Florida we are fortunate enough to have many Haitian-Americans living in Miami and surrounding areas, and I say that because as a refugee who has fled from tyranny, I welcome refugees who have also been fleeing from dictatorial regimes. So we welcome the Haitian community to our south Florida area.

But as I pointed out, we have these individuals come from a country that is really one of the poorest in our area, in our hemisphere, a country that has suffered for so many years with instability, political instability, economic instability, and it is incredible when we look at the reports we receive from our own government about the amount of funds that had been spent in this tiny island, and where has that money gone?

And I think the title of your hearing is so well put, Mr. Chairman, very simple and to the point: "Haiti: Where Has All the Money Gone?" These are funds that are coming from our pockets. These are U.S. taxpayer funds, and we see here an incredibly long list of lobbyists and lawyers here in Washington. And we would like to know the answers because unfortunately Haiti still seems to be marred with that same sort of instability, and we want the future to be brighter for the Haitian people. We want their country to enjoy all the fruits of democracy and all the prosperity that we enjoy here in the United States.

So we welcome them as neighbors, we welcome them in the league of countries in our hemisphere, but we want to make sure that U.S. taxpayer funds are spent in the correct way, and it is in our interest, and more importantly it is in the interest of the Haitian people themselves, so that the money goes to those individuals who need it.

It should not be going to lawyers, to lobbyists to fund and grease this whole Washington infrastructure. It should be going to the people who need it most, the needy people of Haiti who hunger for stability, economic prosperity and true democracy in their native homeland.

So I thank you once again, Mr. Chairman, for taking the leadership role in bringing this to our attention again.

Mr. BURTON. People who are going to be testifying today are the Honorable Porter J. Goss, one of our distinguished members from the great State of Florida, who we will recognize first; the Honorable John P. Leonard, director, the Haiti Working Group, Department of State; and Mr. Mark Schneider, assistant administrator for Latin America and the Caribbean, Agency for International Development.

Mr. Chairman, did you have an opening comment you would like to make?

Mr. GILMAN. Mr. Chairman, I would just like to commend you for conducting this hearing on Haiti, our closest neighbor nation, which we are all very much concerned about. We are all very much interested in the democratization of Haiti and making certain that the dollars are going to be well spent in Haiti. I welcome this review, and I want to particularly commend Mr. Goss who is here, who has had a long-standing interest and concern for the progress in Haiti.

Thank you, Mr. Chairman.

The gentleman from New Jersey, Mr. Donald Payne, do you have an opening remark?

Mr. PAYNE. Thank you very much, Mr. Chairman.

I appreciate your calling this very important hearing, and as the title says, where has all the money gone?

Let me just tell a few things. There has been a nationwide child immunization program, which to date has immunized 3 million children. There has been a dredging of Haiti's rivers and waterways, building of bridges and reservoirs. There has been a \$50 million program funded by the World Bank to create 50,000 jobs; \$25 million from the World Bank stimulated microeconomic projects throughout the country.

There has been a reforestation program that has begun distribution of hundreds of metric tons of seeds, hundreds of thousands of dollars of seedlings and half a million farming tools to farmers and on and on, so I am certainly waiting very anxiously to hear the testimony from Mr. Goss about some allegations I read in a letter to the Secretary of State that was recently sent, and I am just anxiously awaiting testimony, and hopefully I have a minute or two for me to ask him a question or so.

Thank you.

Mr. BURTON. The gentleman yields back the balance of his time. We will now hear our colleague, Representative Goss.

STATEMENT OF HON. PORTER J. GOSS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. GOSS. Thank you very much, Mr. Chairman. I appreciate you calling this hearing. As you know, other committees have similar interests and are pursuing similar-type questions through their channels. In fact, I am going to such a committee very shortly, so this is very timely, and I appreciate your accommodation.

I have a very full statement for the record, which I would like to have included. It is several pages and has supplemental information attached to it.

Mr. BURTON. Without objection.

Mr. GOSS. Thank you very much.

I would agree that Americans have been extraordinarily generous to the Nation of Haiti and to Haitians for a good reason: It is a friendly neighboring country. We have much commerce, much friendship, much alliance between us, and we certainly have many Haitian-American citizens. Some of us represent some of them. I would dare say this: We have done a very fine thing for Haiti in trying to help out.

The purpose of this hearing is to determine whether or not the money has met the mark and we are getting a good return on it, and there are clearly differing conclusions on this. There are clearly some questions as to whether or not we can track down all the money that we sent, and that is of some concern. And perhaps most worrisome is the situation in Haiti today and whether we are still on top of that situation; and whether or not those benefits that we started will continue to mature, or whether or not they will be abrogated by what is an increasing number of human rights violations and other horrible abuses.

I think that it is fair to say that Haiti today is a barely functioning democracy, and it is clear that human rights violations are on the increase, if not rampant. Fear is building again. In fact, I understand that it has been hard to get some witnesses to come forward to testify at these hearings among some of the Parliamentarians because of their experiences. In fact, I understand that others are concerned and don't want to come forward and stick their neck out and suffer consequences back home.

I think it is quite clear that President Preval is under considerable pressure in Haiti. It is quite clear that the problem of privatization is being debated politically, as it should in a democracy, but perhaps some of the methods being used in the debate would not pass as fully democratic.

I am particularly curious as to whether American tax dollars are being used to fund efforts by former President Aristide and his foundation to frustrate the privatization process, which are clearly goals of U.S. policy there. And I, of course, am very concerned that we get appropriate testimony here from Haitian Parliamentarians on how they are doing politically with regard to privatization, because, after all, that is part of democracy.

When we talk about human rights violations, obviously we have to be concerned whether or not we have fully amortized our commitment and developed a stabilizing force—the police force. We are reading stories, hearing stories, witnessing brutality, assassination, stalking of some of the investors of the new HNP. All of these things are public information. All of these things underscore the need for these hearings to find out what we have done and how we have protected our investment.

And, I would submit—getting value for the dollars we put into Haiti.

I would also like to submit for the record correspondence I have had with the Honorable John Deutch—I sent a letter to him—the Honorable Robert Rubin, Honorable Warren Christopher, Honorable William Perry, all well known, regarding the question of whether or not the newfound wealth, as our friend Mr. Payne has referred to, of Aristide has been gained entirely properly, or wheth-

er or not some of the tax dollars that we have supplied have, in fact, found their way into his personal accounts.

Mr. BURTON. Those records will be accepted into the record without objection.

[The letter appears in the appendix.]

Mr. GOSS. I would also add that included in the packet, and of particular note, is a letter that has been translated from the original French into English by the CRS to Secretary Christopher from the Haitian Parliament in 1992, signed by the former president of the Chamber of Deputies.

[The letter appears in the appendix.]

It asked that President Aristide comply with the Haitian Constitution that requires the President has to show records of state expenditures. From the current Parliament, there is also a pending request, somewhat like our financial disclosures, for a similar accounting at the end of his term. I understand we have not had responses, and I think that is a critical part of your hearing, if I may suggest that to you, Mr. Chairman.

I think those are the main areas that I am pursuing publicly, areas that are not classified, with regard to where all the money has gone. And you have raised in your opening remarks, of course, many other areas.

I think that the next area I am extremely concerned about is talking to Americans and others who wish to invest in Haiti, which is going to be the success of Haiti. The Haitians have to attract other investment. If they fail to do that, they will always be recipients of handouts, and that will not work.

The problem is that the atmosphere in Haiti is not conducive to investment by those from the outside. It is too risky; it is too unsafe. There are not enough guarantees. There is still too much inappropriate activity, failure to safeguard warehouses, bribes and so forth, inefficiency in the government, incompetence at some levels. These are all of the things you would expect to see, but there is too much of it, and the tragedy is that it is not getting better. Until that atmosphere improves, I am afraid we are going to be in a position of being asked for more dollars for Haiti.

I thank you for your allowance of time.

Mr. BURTON. I thank the gentleman for his comments.

[The prepared statement of Mr. Goss appears in the appendix.]

Mr. BURTON. Since we have a number of members here, we will try to limit our statements to 5 minutes so we will have more time for questions.

We will now recognize the Honorable John P. Leonard, director of the Haiti Working Group for the Department of State. My colleagues will be allowed to ask questions after we have the panelists conclude.

Mr. Leonard.

STATEMENT OF HON. JOHN P. LEONARD, DIRECTOR, THE HAITI WORKING GROUP, DEPARTMENT OF STATE

Mr. LEONARD. Thank you, Mr. Chairman. I, too, have a statement for the record—with your indulgence, I would like to summarize it in a very few brief minutes and summarize the basic prob-

lems and issues that we are working on right now in our policy toward Haiti.

The first broad problem is the economic reconstruction of Haiti, and the particular focus of these efforts now are the negotiations between Haiti and the international financial institutions, IMF in the first instance, on certain agreements under which Haiti will undertake to reform its economy and make very serious reforms.

Those negotiations have been very difficult, but it looks like progress is being made on them. They will require some very important action on the part of the Haitian Congress, the Parliament, Upper and Lower House, and these really are critical to freeing up additional funds from the International Monetary Fund, the World Bank, the Inter-American Development Bank. So over the course of the next couple of months, we are going to be watching that very closely because that is critical to Haiti's economic recovery.

The second broad issue that we are working on has to do with the professional development of the Haitian police force and what I would describe as broad problems of law and order, trying to help that police force mature and begin to function more effectively. An important part of that will indeed be the investigations into a number of murders which have been of concern to this committee, to the Congress, and to the Administration, I should add, killings which have apparent political motivations. So helping the Haitian Government, the Haitian police, to have the capability to investigate those cases effectively is very important to us. We discussed that with members of the committee and staff before.

Finally, we have before us an important transition period at the end of this month. The mandate for the current U.N. force in Haiti expires, and the Government of Haiti has asked that the international police and military presence be extended in Haiti for an additional 6 months, and that issue will be joined in the Security Council probably next week.

That is a matter of considerable interest and importance to us. We will be working hard to support that request. The force right now is a quite small one. As this committee knows, there are no U.S. forces that are members of that peacekeeping force, but nonetheless it does continue to play an important role in Haiti.

That basically is the background against which we can try to address some of the questions that you have suggested are of importance and interest to the committee.

Mr. BURTON. Thank you, Ambassador.

[The prepared statement of Mr. Leonard appears in the appendix.]

Mr. BURTON. We will now hear from Mr. Mark Schneider, assistant administrator for Latin America and the Caribbean, Agency for International Development.

STATEMENT OF MARK SCHNEIDER, ASSISTANT ADMINISTRATOR, BUREAU FOR LATIN AMERICA AND THE CARIBBEAN, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. SCHNEIDER. Thank you, Mr. Chairman. I am pleased to appear again before this distinguished subcommittee to discuss with you the impact of USAID assistance programs in Haiti. I want to express my appreciation to the Chairman for the opportunity to re-

view what has been accomplished in the Western Hemisphere's poorest and least developed nation as well as the problems we continue to face.

This is the third review with the subcommittee, and we welcome this opportunity to keep you apprised of developments in Haiti, and hopefully to allay some of the concerns that have been expressed in the opening statements.

The U.S. Government has led an extraordinarily successful effort to internationalize assistance to Haiti. Since the return to democracy to Haiti, donors have pledged some \$2 billion to support humanitarian relief, creation of democratic institutions and economic recovery. By the end of this fiscal year, the U.S. contribution will constitute less than 20 percent of all donor commitments to this common effort, approximately \$350 million for fiscal year 1995-96. Donor coordination in Haiti represents an important example of international burden-sharing.

Let me give you several examples of what has been achieved with U.S. funds to directly affect the lives of people. We have provided health care to as many as 2 million people—one-third of the population—and food to more than 1 million per day, mostly women and children.

We have supported the creation of a civilian-controlled police force, with a police academy opened in January 1995 and over 5,000 recruits trained.

We have assisted in a series of peaceful elections, each one progressively more efficient than the last, culminating in the election of a new President, the first nonviolent transfer of authority in 200 years, and the first-ever popularly elected mayors and local councils.

We have taken the lead in creating a judicial training academy, which initially trained over 400 judges, prosecutors and court personnel and has provided further intensive training to nearly 300 court officials; a national prison rehabilitation program has been initiated; some 500 improperly detained prisoners have been released; more than 2,000 victims of human rights abuses and their families have been assisted.

It has gone to provide some 2,000 local community infrastructure projects ranging from repairing and building schools and health centers to repairing water systems and farm-to-market roads.

It has gone to provide emergency jobs that were mentioned earlier, but let me emphasize that we began this program through NGO's in Haiti, which employed some 50,000 Haitians to clear silt-filled irrigation canals, opening 120,000 acres of irrigated land, as a result, repairing roads and bridges and protecting watersheds. The USAID finance model was so successful that it was adopted lock, stock and barrel by the World Bank, which continued that program through its own contribution of \$50 million.

Our money has gone to provide microenterprise loans to 1,000 small businessmen and women that are currently active, small loans under several hundred dollars. And our agricultural credit guarantee programs have helped boost mango exports for small farmers of some \$14 million last year; start a tomato processing plant that will employ 500 Haitians and provide a market for 5,000 small farmers.

And in all of these efforts, the U.S. Government, USAID, has taken extraordinary actions to be sure that our aid is reaching the intended beneficiaries. The GAO and our own Inspector General have found no evidence to support any allegations to the contrary. In fact, the GAO-printed briefing document, which was submitted to the Senate Foreign Relations Committee on June 6, 1996, states that there is, "no evidence"—not "possibly"—"no evidence that USAID assistance was diverted or benefited current or past Government of Haiti officials." I can submit that to the committee.

Mr. Chairman, we believe, as the Congressman noted, that Haiti's future requires that the private sector, especially small farmers and businessmen, have the opportunity to invest and lead that nation's economic recovery. The private sector will be the source of permanent job creation. For that investment, whether Haitian or foreign, to occur, sound economic policies are essential.

Prior to last October, significant structural reforms and economic policies were begun, and a real sense of momentum emerged. Unfortunately October 1995 negotiations between the IMF and the Government of Haiti collapsed during a Presidential campaign, undermining that momentum and bringing the beginning of Haiti's economic recovery to a halt. Nevertheless, the situation now is considerably more promising, although no one should underestimate the magnitude of challenges.

A few months ago he said he would resume negotiations with the IMF by April 15th and conclude an agreement by May 15th. Negotiations did resume by April 15th, and by May 15 there was substantial agreement on the main outlines of the economic reform program.

Now an agreed letter of intent has gone to the IMF from the Government of Haiti outlining that program, and the legislative agenda to bring it into effect has gone before the Parliament, and they have begun to take action.

I should add that last week, based on that progress and the IMF recommendations, the international community met in Washington on June 12th and pledged their support to the reform program, including specific commitments to ensure the government's financing requirement for 1996 and 1997 will be met, if that program is approved by the Haitian Parliament.

The United States stated that we are prepared to reprogram \$15 million for budget support this fiscal year subject to congressional notification and congressional consultation. The total donor budget support pledges last week were more than 10 times this amount.

We are prepared to contribute support for Haiti's economic recovery if sound economic policies are put in place. As a result of progress already begun, Haiti has pulled out of that downward economic drift. Economic growth is projected to increase beyond the fiscal year 1995 to a 4.5 percent level during the second half of this year. Inflation has dropped from 50 percent before President Aristide returned to less than 20 percent. It is down to around 15 percent.

Mr. BURTON. Mr. Schneider, we would like to have those facts. I would like to have my staff go over them for the record. Are you about to conclude?

Mr. SCHNEIDER. One sentence.

I wanted to note, because a comment had been made, that assembly sector jobs now have reached 20,000 from zero when President Aristide returned, which is more than half of what they were before the 1991 coup.

Also I just want to say that our economic assistance is going to the people it is intended to go to, it is benefiting the people of Haiti, and we are prepared to respond to any questions.

Mr. BURTON. I thank the gentleman for his comments.

[The statement of Mr. Schneider appears in the appendix.]

Mr. BURTON. We spent over \$2 billion with Operation Uphold Democracy, and we spent \$600 to \$700 million in fiscal year 1997 in direct and indirect aid. While it is nice to hear at last that it is going to help the people of Haiti with their farming and other things, the privatization effort, as I understand it, still has a long way to go. There was resistance in the Aristide Government and continues to be resistance in the current government.

We talked about some problems before, including the political assassinations. I don't want to get into that any more than we have to today.

What I would like to ask about is the \$1.5-million estate former President Aristide just bought. His current home is worth about \$1.3 million. He also tried to buy the lots adjacent to his property. One owner resisted. He was assassinated by somebody in front of his teenage daughter outside of his home. Some people believe that was politically motivated because of his reluctance to sell.

My question is: How much money did former President Aristide make as President? I understand he is making \$35,000 a year now. If he is making \$35,000 a year, how can he afford two estates worth \$2.8 million, and how could he buy those additional properties? And if he can't afford these properties, is there any question about the possibility of some of the moneys we are sending to Haiti being diverted for his own personal use?

Mr. LEONARD. Mr. Chairman, let me answer what I can for you on the first part of the question, and I will defer to Mr. Schneider about the possibility of diversions from our own money.

Mr. BURTON. Representative Goss, I understand you have to leave relatively soon. Did you have any comments you want to make before you have to leave?

Mr. GOSS. I have no further comments with the exception of one clarification: The letter I referred to and put in the record that was from the old Parliament was concerned about the money that Aristide spent while he was exiled up to the time of 1994; and the second area of concern that the present Parliament has is for the exit accounting he has with the moneys while he was President.

I just wanted to clarify for the record, and I wanted to make myself available. Mr. Payne said he had a question for me. I do have a 2:30 p.m. meeting starting, but I would be happy to accommodate Mr. Payne's question.

Mr. BURTON. Why don't I show deference to Mr. Payne at this point, so he can ask his questions, and then get back to my questions after you leave.

Mr. GOSS. I appreciate that.

Mr. PAYNE. Thank you.

According to your letter to the Secretary of State, the beginning kind of criticized the fact that there was reluctance on your part—but you do admit in your letter that Mr. Aristide filed an asset report in civil court on April 24, 1996.

Mr. GOSS. I notice there was a report filed in the La Nouvelliste newsletter, and that is what my letter says. What I have heard is a lot of other commentary going around that, which I have not carried forward in my letter to the Secretary because I don't think it is worthy of it, that there was not a complete report or entirely accurate report. And that comes from some of the Parliamentarians that were concerned there was an opportunity for political partisanship to creep in among some of the Parliamentarians here. Nevertheless, they were having a hard time getting those facts and they didn't have a full cut in the request is a fair way to put it.

Mr. PAYNE. Thank you.

I have information from the Ambassador that also verifies that in keeping with the mandate of the Constitution, former President Jean Bertrand Aristide presented financial documents pertaining to the Presidency for Parliamentary review.

I think the question of having not complied is really not a question. You have a question of accuracy, I suppose—you assume evidently that what has been reported is untrue; in other words, it is kind of a reason the person is guilty. And now we have to prove them not guilty is what I am getting to.

Mr. GOSS. Not at all. What I am trying to suggest is there is a lot of rumor and a lot of reports being reported. As the chairman has just referred, there have been reports that the neighbor was murdered for political reasons by some people. There are all kinds of allegations flying around.

The reason I have written these letters is to try and see what information our executive branch has on them because they may, in fact, be connected to this question of where has all of this money gone, and I think that is a legitimate oversight question. I am not making any preliminary conclusions. I am asking questions and sharing with the Secretaries the information that I have, and the types of reports we are getting, and the questions we are getting from Haitian Parliamentarians.

Mr. PAYNE. You are saying you are basing—that is like asking me to evaluate the 104th Congress. You know, you are going on some letters from the legislature that was a part of the coup that ran the person out of the country—

Mr. GOSS. Not entirely.

Mr. PAYNE. You are saying that the past legislature said they have got a lot of questions about—and I guess they would. As he came back to resume his rightful place, I would assume that those who ran him out would have some problem with the person coming back.

And second, this 104th Congress is very interesting. We run a government on rumors? I never heard so-called responsible legislators say, I have a whole lot of questions because rumors are rampant, and let me give you a list of the latest rumors. This character assassination question—it is like saying if a person ran for government services, and they had millions of dollars in the bank, they did something wrong. That is not fair, that is not right, because a

lot of people work for government service and have a million dollars in the bank. To assume then they did something wrong because they are in that position would be absolutely wrong.

So this insinuation, this hearing by rumor, this whole question of listening to political opponents, and there is something wrong, I would be the first to say clean it up, and I would be the first to say that Haiti has a long way to go. It is far from even being near perfect.

I am not defending anything that is wrong, but by the same token to have a hearing, "Where have all the"—last time I heard that was in the Vietnam era, "Where have all the young men gone?" "Where has all the money gone?" Let's get something that sounds pretty jazzy and throw it out there to rule by innuendo and character assassination, and let's just make this thing a total failure.

We had more time spent on one so-called political killing of a woman downtown than the thousands that were murdered by the Cedras regime between the time Aristide was forced out of the country. But this one killing—and we should bring the perpetrators to justice. There is no talk about the thousands of people who were murdered during the time that Aristide was out of the country. This is just one-sided bashing of hopefully the thing will work. It is just where has all the money gone? If you read the report, you'd find out where it went.

Mr. BURTON. The gentleman will respond.

Mr. GOSS. I would only say that the rumors are rampant there in Haiti, they always have been. Regrettably the bodies are rampant there as well, as the gentleman knows. Certainly the politicians he was referring to were duly elected at the same time President Aristide was in the old Parliament, and they were properly elected and installed up until the time the new Parliament took over. Some of them were in the President's party, some were not. I spoke with them. They, in fact, were the government, the only legitimate government for quite a while. But it is not just those folks that are talking and asking the questions. It is the current Parliament, which was also elected in the new democracy in Haiti, that are asking the questions about the exit accounting.

There are some questions about whether there has been full accountability. Since there are \$3 billion of U.S. taxpayers' money invested in Haiti, American taxpayers' money, I think it is a fair question.

Thank you, Mr. Chairman.

Mr. BURTON. I thank the gentleman for being with us.

Let me get back to my questions now. I have asked my questions about Mr. Aristide and the source of his wealth. He was a Catholic priest prior to becoming President, and I think how he amassed in property alone close to \$3 million, especially with all the money we have put in Haiti, deserves an answer. No accusation is being made, but we would like to know where he got that kind of money, especially in view of the fact that his current salary is \$35,000 a year.

I also want to ask one other question. From August 19th, 1994, through December 1995, the Aristide Government spent almost \$5 million on lobbyists and lawyers here in Washington. Kurzban,

Kurzban and Winger, represented by Miami attorney, Ira Kurzban, received \$3.15 million for 12 months. Hogan & Hartson, the Washington law firm of former U.S. Representative Michael Barnes, received almost \$500,000. Hazel Ross-Robinson, wife of Trans-Africa leader, Randall Robinson, received \$12,500 a month plus expenses for the first 6 months of 1995. Mildred Trouillot, a Haitian-American attorney and registered lobbyist, received about \$60,000 for the 6-month period beginning in February. The Washington law firm of Arent, Fox, Kintner, Plotkin & Kahn received \$137,000, and I can go on and on and on. The total for lobbying fees is about \$5 million.

Was that money in part coming from funds that the U.S. Government gave to Haiti? We understand that approximately 20 percent of the funding for the Haitian economy and foreign aid came from the United States. About 40 percent total came from all sources of foreign assistance. Can the wealth of Mr. Aristide and the money spent for these Washington lobbyists be accounted for, and did it come from U.S. foreign aid?

Mr. LEONARD. Let me start, Mr. Chairman, to answer the first part of the question. I will defer to Mr. Schneider about the possibility of U.S. aid and U.S. funds being diverted in any fashion.

We have gotten Congressman Goss's letter of June 5 to Secretary Christopher that he mentioned. In his letter he asked for all of our cables, memoranda, and electronic mail or other documentation related to former President Aristide's wealth. We have begun that search for documents. As a matter of fact, my office will be the one that will be responsible ultimately for cataloguing them and looking at them.

Mr. BURTON. But you haven't completed it, have you?

Mr. LEONARD. No, sir. He asked for documents going back to December 1990.

We are currently also working on a number of other document requests by Chairman Combest in particular, and so we have not yet finished this search. It will take us some time.

Mr. BURTON. Can you give us a rough idea how long you think it will take to compile that information for us?

Mr. LEONARD. My guess, based on experience we have had with other document requests, is it will take us at least a couple of months to accumulate the documents, to screen out duplicate copies, to sort out ones that are of other agencies and so forth.

Mr. BURTON. I would like to request for my colleagues on both sides of the aisle that we have that information submitted to the committee for the record.

Proceed.

Mr. LEONARD. Right.

In any event, it would be a little unwise of me to try and anticipate what information we may have on this subject when we haven't accumulated all of these documents. I did, however, before coming to today's hearing, ask our embassy in Port-au-Prince if it had any particular information readily available about sources of income for President Aristide outside of his official salary as a President or now an ex-President.

It did not have any information that it could give me. It did tell me that as far as it was aware, the assertion that he has pur-

chased a second house apart from the residence where he is presently living was not the case, as far as they were aware, at least not yet.

They did tell me that there was a rumor that was going about Port-au-Prince to the effect that such a purchase was underway, and I, too, had heard an amount something like \$1.4 million. The embassy said, again, subject to further looking into and corroboration, that they could not confirm, though, that such a purchase had been made.

They did note also that with regard to his present property, there had indeed been a number of improvements to it. Many of these had to do with security upgrades that dated to the time he was President.

But to get back to your original point on this, we will make a thorough and conscientious search of our records and documents to see what information we can find on this subject, and we will provide them to your committee as well. Some of that information may be classified, but we would turn it over to the committee under the proper handling arrangements.

Mr. BURTON. You have not yet answered the second part of the question regarding the legal fees, but I don't want to monopolize the time here. We have other members that want to ask questions as well.

We will recognize the gentleman from Florida.

Mr. HASTINGS. Thank you, Mr. Chairman.

Mr. Chairman, I have a similar interest, and I would yield to you to allow the witnesses to answer the question. The legal fees would be equal to yours only in the sense that I believe those fees were appropriately undertaken on behalf of the government of fostering its best interests here in the U.S. Congress and for all intents and purposes assisted in stabilizing the situation. But if either of the witnesses have that information, then I would be interested to hear their response.

Mr. LEONARD. I don't have information to confirm the figure of \$5 million, but the information is available, I am assuming, probably with the Justice Department under the provisions of the Foreign Agents Registration Act, and I don't happen to have those figures with me, but if you wish, Mr. Chairman, we can ask for them and provide them to the committee.

Mr. HASTINGS. Perhaps that will be submitted then for the record.

Mr. BURTON. Yes, I would like to have those submitted for the record, and also, if possible, the source of the funds. It will be hard to figure out, but we would like to know—to the best of your ability.

[The information follows:]

We do not have detailed information on exactly how the Government of Haiti paid for the legal and other services referred to by Chairman Burton. It should be noted that even during the period when President Aristide was in exile, his government did have access to Government of Haiti funds which were on deposit with the U.S. Federal Reserve Bank. In order to gain access to those funds, President Aristide's Government had to make a request to the U.S. Treasury Department, which in turn sought the concurrence of the Department of State. In concurring with such withdrawals, the Department satisfied itself in each instance that the request was a bona fide one coming from the Government of Haiti (and not from the de facto authorities then in power in Port-au-Prince). The Department did not, however, seek

information concerning the exact purposes for which such funds were to be spent. It is possible that some of the moneys were used to pay for the kinds of legal and other services referred to by Chairman Burton, but we do not have information to confirm this. As to U.S. aid funds, as Mr. Schneider testified at the hearing on June 20, no U.S. aid funds have been diverted to such purposes.

Attached with this answer are records from the Justice Department regarding fees for legal and other services to persons working for the Government of Haiti who registered under the Foreign Agents Registration Act for the years 1994 and 1995.

Mr. LEONARD. I would like to note one other thing about the practice of hiring lawyers and lobbyists. A number of foreign countries do. This is something, a phenomenon, which we have seen increasingly, and I know that even small and poor countries like Haiti have resorted to this practice. Perhaps many of them feel they are at a disadvantage in trying to deal with a government which is as well-staffed and we hope professionally qualified in its foreign policy apparatus as ours is. But in any event, this is not an uncommon practice.

We generally have not made it a practice ourselves to question the right of the government to hire lawyers or to hire attorneys to represent them, either their right to do so or their right to choose whomever they may. So this is not something that we have looked at as something that we felt it necessary to gather information about.

As I say, the people who do this here in Washington do have to register, but we in the Department have not made it a practice of looking at it and checking to see exactly how much normally that governments pay for this.

Mr. HASTINGS. I thank you, Ambassador.

I want to make one of two points. The nature of the hearing, as was suggested by Chairman Payne in the style of "Where Has All the Money Gone"—I like the distinguished chairman of the Committee on the Western Hemisphere, and I want to thank him for permitting an interloper from yet another of the subcommittees to even participate here today.

I would like to ask that question of a lot of the moneys that are spent by the United States in Russia: Where has all the money gone? In the Middle East: Where has all the money gone? I couldn't even begin to ask that question in Africa: Where has all the money gone? Where has all the money gone in Asia? Where has all the money gone in the United States of America? If we are going to play that game, then we would get to a lot of questions.

There have been visible structural adjustments that have taken place in Haiti that have been widely advertised to our government. I can answer one portion of the question. Two billion dollars of the \$3 billion was spent in military operations that have been extremely successful and caused a lessening of the number of refugees leaving Haiti to come to the shores that generally reach Florida before elsewhere in the United States of America. Six hundred million dollars of it we just heard attested to by Mr. Schneider and the various undertakings that USAID has done.

So I guess now, then, we are concerned if \$3 billion was spent, with \$400 million more, which I believe that we can easily find. All of the funds that were in the United States that were drawn on, as raised by Congressman Goss in his letter, were funds that were

drawn on that were widely known to the U.S. Treasury and to all officials in our government.

Mr. Chairman, in the interest of time, I would just like to say that I recognize the continuing concerns that everyone has about the development of Haiti. But let's give them a little bit of a chance to mature and not expect of them in 18 months' time to have the kind of turnaround that all of us would want with them. If we can be patient, I think that the Preval Government has demonstrated faithfulness in trying to achieve a stable democracy in Haiti, and I thank you, Mr. Chairman.

Mr. BURTON. It is the responsibility of this subcommittee to oversee U.S. policies in this hemisphere, and Haiti has been the focal point of a major foreign policy decision and a major expenditure of money to the tune of \$3 billion. It is not out of line for us to ask where the money went. I do share with you the concerns of the money going to Russia and the Middle East and elsewhere.

Mr. HASTINGS. And Nicaragua and Ecuador.

Mr. BURTON. It is my charge to make sure that U.S. Government money is well spent in the Western Hemisphere. For this subcommittee to ask questions without making accusations is totally in line, and we intend to find out where Mr. Aristide obtained his wealth, whether it came at the expense of the taxpayers of the United States. If it did not, that is fine. Also, where did the money come from for these lobbying fees, and if it was U.S. taxpayers' money, is that a total and proper use of U.S. taxpayers' money?

I will question you again in a moment. I will yield to my colleague from California, Mr. Matthew Martinez.

Mr. MARTINEZ. Thank you, Mr. Chairman.

I am amused by all of this, and I will tell you why I have been asking for years, even when I was a very young man in China in the Marines, where is the money going, because I could see there in the Chiang Kai-shek regime where it is not very nice to speak badly of someone who has passed away, especially someone who was such a national hero to his country.

But if you will remember when we were giving them all of that aid, Madame Chiang Kai-shek was coming back here to the United States to buy land in Montana and New York and lived most of her life in New York in a very fancy apartment until she thought she was getting near the end and decided to go back to a very fancy hotel that they owned in Taiwan—I wonder where that money came from for the wealth that they acquired when we were giving them so much of our money to fight the war against the Communists, and was it going to communism.

Going into that, I am amused by the fact that we are asking this question. If the Chairman is asking the question as he just stated, because as an Oversight Committee he has a right to, and I agree with that without any presumption beforehand of what the conclusion is, I am totally with him. But it sounds from Mr. Goss's letter that there are some presumptions made. I would guess that Mr. Aristide made his money, if he is wealthy, in fact, from insider trading information the same as a certain Member of the Senate on the other side.

I would assume for the billions of dollars we are talking about spending in Haiti and what Mr. Schneider has outlined as to the

effect of that money in training judges and setting up a court system and doing all those things, we are getting more of our money's worth than we did in Ecuador with the contras because we spent 10 times that amount of money there, and they didn't win one inch of ground. That was resolved within the country itself through elections, as close as you can describe to a democracy. And we in this country have supported and been dancing with dictators for years and years and supporting regimes to the tune of billions of dollars in South and Central America. The regimes weren't even democratic and didn't even pretend to hold free elections. At least in Haiti they held an election.

And some of the democracies that we recognize, as Mr. Goss says, are barely a democracy. I am not too sure I would classify some of our other friends and neighbors as more than just barely democracies when in Mexico the PAN is really the only party that rules there—I mean, is free for all intents and purposes, because if the PAN wins the election, the PRI takes it away from them. And the PRI can tell you who is going to be President 10 years and 12 years ahead of time.

Now, that is not a democracy to me, and if you look at our friends in Taiwan—although I like Taiwan, and I feel they were our national ally before, and I was really disappointed that the United States took diplomatic recognition away from them and gave it to Communist China as much as we hated the Communists at that time—the fact is they didn't have a democracy. They had a military force there that imposed martial law, that said there would be no other political parties. The dissenting people were jailed, and newspapers were confiscated and magazines burned, et cetera, until recently when they finally lifted martial law. And for that matter, their more recent election was the first election of any kind of a real democracy.

So I think when we go into these hearings and questions, we have to keep an open mind to all of the events that took place in history before this point, and we ought to stop assuming we know what is best for other countries and that they should establish their democracies to be exactly like ours when ours has been an evolving democracy. In the first 12 years of the country there were no free elections here. Then when there were elections, only property owners got to vote. And it wasn't until the early 1920's when the women got the right to vote. And it wasn't until the middle 1950's when the last State in the Union ratified the Native Americans' right to vote, and they are the most indigenous people in the country.

Let me tell you something. I am completely amused by the questions we ask and the reasons we ask them. I am not impugning anybody's integrity here and why they are asking the questions. The Chairman has stated we have a right to know, and we do have a right to know, and we do have a right to have an accounting of the kinds of money that go to these particular projects since it is taxpayers' money, and I am one of those taxpayers and have been for a long time.

I have always questioned if it is in the best interest of the American people that we spend money financing a war in Ecuador that got us nothing; if we finance government under the pretext that it

is democratic, like El Salvador, which was a military operation really and to this day continues to be, to a certain degree, and to some of the other people that we have supported that way, including Chiang Kai-shek.

If you would like to respond to any or all of that, I will be willing to listen.

Mr. BURTON. I think the gentleman is talking about Nicaragua. Do any of you want to comment?

Mr. SCHNEIDER. If I could, there was one portion of your original question that was hanging without an answer. That was with respect to USAID assistance going either to lobbyists or to President Aristide. The answer is no. We do take those allegations seriously. When they have occurred, we have asked for the Inspector General to undertake an investigation.

We have, I should add—and I want to give some detail about how we know that our money is going to where it is intended in terms of use of the funds. First, no U.S.-appropriated funds are dispersed directly or indirectly to the Government of Haiti. Most of the assistance to the government is implemented through U.S.-based contractors, grantees and/or duly registered and certified local NGO's. Except for emergency balance of payment support, those disbursements are paid directly through the U.S. Treasury into the U.S. exporters' bank account.

With respect to the local NGO's, 100 percent audit coverage was undertaken of all funds disbursed to the local NGO's. There were 13 payment verifications by the Office of Finance Management covering 100 percent of all contractors and grantees within office in Haiti.

Local currency generated by the emergency balance of payment was used only to pay external Government of Haiti debt to international financial institutions, and 100 percent of those disbursements were reviewed—

Mr. BURTON. You say that only those moneys were used to pay financial institutions like the World Bank and the IMF?

Mr. SCHNEIDER. The local currency, in other words, within the budget of the Government of Haiti to ensure that they are covering their budget support, the local currency generated by the emergency balance of payments was reviewed by the regional Inspector General to ensure that went for that purpose. That was one of the permissible purposes to pay for debt. It could not be taken away and used by anybody for any purpose that they wanted.

Mr. BURTON. But the money could be used to obtain additional moneys from the World Bank, so our aid was able to be multiplied by using it as leverage.

Mr. SCHNEIDER. That is correct.

In addition, we did ask and worked closely with the General Accounting Office. They looked at five main major activities, and they concluded—and I quoted to you from that report several weeks ago—that there is no evidence that USAID assistance was diverted or has benefited current or past Government of Haiti officials, and they found no problems, and they found the system that was in place was sufficient to guarantee our knowing where the money was going, so they decided not to enter our investigation.

Mr. BURTON. Let me yield to Mr. Wynn. You are recognized.

Mr. WYNN. Thank you very much, Mr. Chairman.

First of all, Mr. Schneider, I want to thank you for detailing the USAID with respect to health care to 2 million, food for 1 million a day, the development of a professional-level police force to the tune of 5,000 recruits, elections, 2,000 local infrastructure projects. I find that very impressive, and I think it is also indicative of the fact that our funds were well used. That amount combined with the amount of military aid that Mr. Hastings referred to seems to largely explain USAID and where the money went, allowing for the fact there is still a small balance that has not been detailed, but I think the money that was used on specific projects was very helpful.

I want to ask a question. I don't know whether it is directed to you or Ambassador Leonard, and it is in Congressman Goss's letter in which he refers to an account at the Federal Reserve Bank of New York, and it says, this is account number 1, Haiti account number 1 at the Federal Reserve Bank of New York. Were any of the deposits into that account U.S. funds, or were they funds from other sources?

Mr. LEONARD. I think I am probably the best one to answer that, Mr. Wynn. It is not uncommon for foreign governments to have accounts in our Federal Reserve Bank, as I understand it. At the time President Aristide was overthrown, that account, Haiti account, had Haitian Government funds in it. During the period that President Aristide was in exile, when he had been illegally overthrown, he and his government, his ministers, had access to those funds since they were the legal Government of Haiti.

It is my understanding, and this part is, I think, subject to correction—it is my understanding that during the period when President Aristide was in exile, payments were made into that account and other accounts of the Government of Haiti abroad; for example, receipts, payments to things such as the Haitian telephone company for things like long-distance calls, and that sort of thing.

Mr. WYNN. If I could just interject. I am trying to combine two bits of information. One, Mr. Schneider said the U.S. payments went to U.S. contractors and not directly to individuals. So I am just trying to determine if, in fact, the funds in this account were USAID funds.

Mr. LEONARD. I don't believe that USAID made any payments into those accounts during that period or thereafter, but I would defer to Mr. Schneider on that.

Mr. SCHNEIDER. That is accurate.

Mr. WYNN. I guess it is fair to say then that for whatever purpose these debits were made from the account, these were not U.S. taxpayer funds, they were Haitian funds.

Mr. LEONARD. That is correct. This account in the Federal Reserve Bank was an account of the Government of Haiti. These were Haitian funds in short.

Mr. WYNN. There would be nothing improper about them withdrawing the funds and using them for government purposes.

Mr. LEONARD. No, although the normal practice in this that was followed in the case of Haiti while President Aristide was in exile was that his government, his representatives in Washington, would notify our Treasury Department when they wished to make with-

drawals and notify them of the amount, and it would be verified that this was a request from an appropriate authority of the Government of the Haiti.

Mr. WYNN. He also said in his letter that President Aristide had a 42-acre estate. At what point did he obtain that?

Mr. LEONARD. I don't know, Mr. Wynn, exactly when he got that residence. I believe the original residence, the original house, was purchased before he became President and that the property was expanded. There were additional purchases of property during the period when he was President, but I don't know exactly when he first purchased that property or how he came into possession.

Mr. WYNN. I believe your testimony was that with respect to the alleged second house, there is no evidence to indicate that he made a purchase of a second home.

Mr. LEONARD. What I was told by one of the officials in our embassy was that as far as they knew, that purchase of a second house had not taken place.

Mr. WYNN. So it does not appear that, in fact, he has done so much self-enrichment, at least as it is inferred by Mr. Goss's letter.

Have you requested documents? You said you were in the process of an investigation. Have you requested documents?

Mr. LEONARD. Yes. What we do is there is a procedure we go through where our Secretariat in the Department tasks all relevant offices in the Department to physically search their files, to check their records, and to accumulate any documents which may be relevant to the request, and that is what we are doing now. My guess is—well, I won't—

Mr. WYNN. Provided by the Haitian Government, or by our people, or who provides these documents?

Mr. LEONARD. No, the request is for documents in the possession of the Department of State. In other words, Congressman Goss has said that he wants us to provide him and his committee with documents of the Department of State, and that is probably the only thing that we can provide which bear on his questions.

Mr. WYNN. Thank you very much.

Mr. BURTON. Are you saying categorically that President Aristide did not buy that other property?

Mr. LEONARD. No, sir. I can't say that categorically.

Mr. BURTON. You can't say that he didn't?

Mr. LEONARD. No, I can't say that.

Mr. BURTON. The point is we want you to find out. I want this committee to be informed, and so I don't want you to say to your knowledge he didn't buy it. I want to know, and I want you to get the information sent to this committee.

Mr. LEONARD. I will do so.

Mr. BURTON. Thank you.

[The information follows:]

We understand that in order for Aristide to meet the constitutional requirement of property ownership so that he might run in the 1990 Haitian Presidential race, his friends purchased land and built him a house in the semi-rural Port-au-Prince suburb of Tabarre. After his return from exile in 1994, friends of the President repaired and re-landscaped the property and purchased additional land. We do not know how much of his personal money President Aristide contributed to the land purchases or construction costs. Nor do we have specific information on the identity of the individuals who purchased the property in Tabarre, or how much money was

spent on the purchases or improvements. It is our understanding that some security-related improvements were made to the property at Haitian Government expense while President Aristide was in office.

As to the rumored purchase of a second property by or for President Aristide, as I stated in my testimony, stories to this effect were current earlier this year in Port-au-Prince, one suggesting that a new house was being purchased for President Aristide for \$1.4 million. The house was not purchased, however, as the sellers took it off the market.

Let me just ask you a couple of other questions.

Are you familiar with the Aristide Foundation for Democracy?

Mr. LEONARD. Yes, I have heard of it.

Mr. BURTON. We have heard that it has been funded to the tune of about \$30 million. There are rumors that Aristide illegally used Haitian Government dollars, a significant portion of which is U.S. foreign aid, to fund this foundation. We would like for you to submit for the record information on the Aristide Foundation for Democracy, including where its funds came from, and for what they were expended. I don't expect you to have the answers on these issues today, but I would like information submitted to the committee.

[The information follows:]

The Aristide Foundation for Democracy was established by former President Aristide after he left office in February 1996. The stated objective of the Foundation is to increase opportunities for Haitians of all social sectors to participate in open debate of national issues. In addition to support for several literacy programs, the Foundation supports a youth radio program which engages young Haitians in the preparation of daily current events reporting. The Foundation has also been the site of several well-publicized convocations of popular groups opposed to economic reform.

It is my understanding that the Foundation seeks funding from private sources. We do not have information on the sources or amounts of funding. USAID has not received a request for funding.

There is a question about embezzlement. Apparently it has been recently discovered that certain persons in Haiti's National Tax Office have manufactured counterfeit seals of Haiti's National Bank to embezzle government money. We would like to know what the State Department knows about that; and, if our government does know about it, when they first learned about it and how much money they estimate was embezzled.

[The information follows:]

The Embassy first learned of a check fraud scandal which allegedly involved Finance Ministry officials on May 9, 1996, from media reports. The media has speculated that the scandal could involve as much as 300 million gourdes (approximately \$18 million), but Haitian Government officials estimate the amount involved to be substantially lower. According to Haitian Government officials, the Central Bank and Finance Ministry have instituted safeguards to prevent such fraud in the future. The Government of Haiti is also continuing to investigate the matter.

The Haitian Government has raised doubts about a \$20 million loan that two of Aristide's closest economic advisors secured during a trip to Taiwan late last year. The money was expected to be used for road repair and improvement, but construction really has not progressed, and the Transportation Ministry announced in April that only \$7 million was remaining. We don't know what happened to the other \$13 million because the construction has not been substantive. Aristide and former members of his Cabinet have not publicly offered to explain the discrepancy. We would like for the State Department to give us an update on that in writing. How much of

the \$20-million loan has been expended and where is the rest of it?

[The information follows:]

Former Minister of Finance Cherestal visited Taipei in late 1994 and announced that Taiwan would grant Haiti some \$20 million for various projects, including \$7 million worth of road improvements through the Port-au-Prince suburb of Carrefour. Subsequently, Haiti's Central Bank reportedly received a check for \$20.2 million.

The chairman of the Haitian Senate's Foreign Affairs Commission, Senator Sabalat, recently wrote a letter to his Senate colleagues providing details about the uses made of some of the \$20.2 million. He confirmed that \$7 million has been set aside for the Carrefour road project. He also reported that 50 million gourdes (approximately \$3 million) had been transferred to the organization Lafanmi Selavi, a home and foundation for street children founded by President Aristide. Another 45 million gourdes (just under \$3 million) had been provided to two non-governmental organizations, Alpha for Development and Alpha. It has been alleged that Alpha for Development has ties to President Aristide.

Subsequently, Alpha for Development confirmed to the press that it had received 30 million gourdes for literacy programs. A spokesperson for Lafanmi Selavi also informed the press that his organization had indeed received 50 million gourdes to reimburse it for funds advanced to the Haitian Government for the October 15 Blvd. road project. The spokesperson added that Lafanmi Selavi had in fact advanced the government a total of 72 million gourdes for the project, leaving 22 million gourdes still outstanding.

There has been no detailed accounting for the remaining portion of the \$20.2 million. Senator Sabalat's letter indicated that he had no further details in this regard.

In 1991, Haitian press reports claimed that Aristide embezzled \$2 million that had been given to the Haitian Government by the Taiwanese Government. The reports claim he diverted money into his own private orphanage. We would like to have a report on that from the State Department.

[The report follows:]

Lafanmi Selavi, a home and foundation for street children founded by President Aristide, reportedly received \$2 million from Taiwan authorities in 1991. We do not know if the funds were channeled through the Haitian Government or given directly to the foundation.

In May 1995, Michel Gonzalez was murdered while driving to his home near the private residence of then President Aristide in Port-au-Prince. Specifically, he was shot in the face in front of his teenage daughter. He and the daughter are U.S. citizens. He was the owner of the property adjacent to Aristide's estate, and there is some concern that this may have been a political hit. We don't know that, but we would like to have that investigated and have the whole committee informed about that.

Mr. LEONARD. Yes, sir.

[The information follows:]

At approximately 5:30 p.m. on the evening of May 22, a Haitian citizen, Michel J. Gonzalez, was assassinated while driving his car near the private residence of then-President Aristide. Gonzalez' wife and three children are U.S. citizens.

At the time of his death, Mr. Gonzalez was director of Haiti Air, an air cargo handler. According to his family, he was not involved in any political group or activities, nor had he been for at least a decade. There are reports that Mr. Gonzalez had been approached before his death to sell a parcel of land adjoining that of President Aristide's private residence. Mr. Gonzalez, however, was renting the property in which his family was living. He was not the owner.

The circumstances surrounding Mr. Gonzalez' death suggest it was a well-planned, cold-blooded execution. This case is one of those being investigated by the Haitian National Police's Special Investigative Unit, which has been tasked with investigating cases of possibly politically-motivated killings.

There is additional information about this case which has been made available by other agencies of the U.S. Government to the House Permanent Select Committee

on Intelligence. The committee may wish to seek this information from that committee.

Mr. WYNN. Mr. Chairman.

Mr. BURTON. I yield to my colleague.

Mr. WYNN. Thank you, Mr. Chairman.

I am not the ranking member, but would it be possible for our side to get copies of questions?

Mr. BURTON. Yes. We will not only submit these as questions to them for answers, but we would like for you to get the answers as well because this is not a partisan issue. If the money, as my colleagues feel, was well spent, fine. But I think we need an accounting, especially when you are talking about a billion dollars in addition to the \$2 billion that went for the military expedition.

I don't have any more questions. Do you gentlemen have any comments you would like to make?

Mr. PAYNE. Could I have a second round?

Mr. BURTON. I would be happy to yield to my colleague in just a moment.

Mr. SCHNEIDER. There were two different numbers that implied USAID totals. The USAID total program for fiscal year 1995 and fiscal year 1996 totals approximately \$350 million. Just to be clear, that was the only thing—there had been some mention it had been significantly larger. It was a total of approximately \$350 million.

Mr. BURTON. OK, thank you.

The gentleman from New Jersey.

Mr. PAYNE. Let me ask you the question again. The property that Mr. Aristide owned, you said he owned that property prior to becoming—

Mr. LEONARD. I believe so, Mr. Payne. Let me be very precise though. I am not certain whether President Aristide bought that property himself—again, my understanding was this was before he became President—or whether it may have been given to him. I don't know the exact circumstances when he came into it.

Mr. PAYNE. He did have it.

Mr. LEONARD. Yes, that is my understanding.

Mr. PAYNE. Which is not that uncommon. You remember President Reagan was given a house for a dollar, I think it was, something like that.

Let me just say that now we were talking about the fact that the Chairman questioned you about the fact that you can't say that he doesn't own this other property. Can you say that he disowns it?

Mr. LEONARD. No, sir, I can't say that.

Mr. PAYNE. That is good. I just want to know. It was very clear that there was an annoyance that you didn't know whether he bought it. I wanted to make sure the converse was true, too.

Mr. BURTON. The point of my comment was this: We shouldn't discount press reports. This is a significant amount of money, and we just want to have an accounting. If it was not purchased by President Aristide, fine, but if it was, we need to know about it, and we need to know how the funds were acquired.

Mr. PAYNE. I agree with you. I found it today. I get angry because someone can't verify he doesn't own it. I get the same way when I chair meetings, too, when I don't get my answer. You talked about the B-2 bomber, you are talking about some unfinished road.

Mr. BURTON. Did Aristide have something to do with it?

Mr. PAYNE. No, but I wanted to do a comparison because we are continuing here about these taxpayers' dollars, and I know there was a bill that came up to increase the number of B-2 bombers. They are at the price of \$2 billion apiece now, and we are still trying to get the thing to fly right and to build more, and I mean if we—I just like to take examples and apply it to real dollars. If you really want to talk about government waste, probably fraud and abuse, if we take a look at what we are wasting on trying to get a dozen B-2 bombers to fly at \$2 billion apiece, I think that we are in a little teeny pond when we have a whole ocean out there.

Let me just ask questions, too, about the democracy. I was there at the elections and did find that the elections were fair and free and transparent. Of course, I was there at the same time Porter Goss was there. He saw them as fraudulent, crooked, and broken down. So there are definitely two extremes, and I wish Porter was here so he could give his side of it, and I will continue to give mine.

There were certainly some problems in the elections. I went to several elections, but that whole question, once again, about how we evaluate countries. And then there is the Western Hemisphere, the Dominican Republic is right next door. As you know they have had—the last three elections a fellow named Gomez probably won all of them, but he has never been seated as President. We have never even had an inquiry from this committee on the elections that are even going on now. It is criminal. He is a black Haitian, but he is Dominican. He can't get seated yet, but maybe we could have a hearing on that sometime to look into that.

Just real quickly, though, were there any restrictions on Mr. Aristide earning income while he was in exile? Is there any Haitian law that says—or U.S. law that says a President run out of his country cannot make—I guess you don't have too many examples to go by.

Mr. LEONARD. I don't know the answer to that, Mr. Payne. I am not certain if the Haitian Constitution puts any restrictions on Presidents who are serving, whether they are allowed to earn outside money, but I can undertake to find out.

Mr. BURTON. Would the gentleman yield?

I will agree with the gentleman that while Mr. Aristide was in exile, he could have earned a million dollars a day. That would have been fine with me. What we are here to find out is whether or not U.S. taxpayers' dollars were diverted illegally or unethically for uses other than their intended purpose. That is all. I am not going to quibble with you about whether he should have earned money when he was in exile. I don't really care about that.

As far as the B-2 bomber is concerned, President Clinton supported it as well.

Mr. PAYNE. Let me just thank the gentleman for being another member who really isn't a part of this committee and certainly knew that he would be a hostile member, but to allow me the privilege of being a part of the panel and asking questions, I honestly thank you for that opportunity.

Mr. BURTON. Let me say in closing that although you and I have some strong differences on various issues, I have the highest re-

spect for you. We both want to get at truth, and I think that will solve all the problems.

I want to conclude by thanking you for being here today. If you would submit those answers as quickly as possible, and as soon as you conclude your investigation, we would like to have that as well.

Mr. LEONARD. The documents.

Mr. BURTON. The documents.

This meeting stands adjourned.

[Whereupon, at 3:19 p.m., the subcommittee was adjourned to reconvene at the call of the Chair.]

APPENDIX

PORTER GOSS
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Testimony before the Subcommittee on Western Hemisphere
Porter J. Goss (FL-14)
20 June 1996

Mr. Chairman:

Today's hearing "Haiti: Where Has All the Money Gone?" poses the \$3 billion dollar question. A full accounting is the only way we can every hope to peel away the layers of deception and confusion surrounding recent U.S. policy in Haiti. And, answering it is the only way we can hope to make an informed decision on this question: Why should U.S. taxpayers send more of their hard-earned dollars to Haiti?

The level of financial commitment that Americans have made to Haiti in recent years has been nothing short of remarkable -- some estimates put it as high as \$3 billion. Ultimately, Haiti nosed out all of our other hemispheric priorities to become the number one recipient of assistance. After billions of dollars and more than 18 months of having our troops on the ground there, we all had high hopes that real progress would be evident. Sadly, the picture remains bleak. Haiti today is still characterized by weak governmental institutions, a decimated economy, and remains deeply divided politically and socially. It is a barely working democracy where human rights violations are rampant.

One clear sign that all is not well is that fact that neither my staff, nor the committee staff, were able to find Haitians willing to testify here today. The Haitians we spoke with are afraid that, like Parliamentarian Duly Brutus, they too might be endangered and driven from their homeland. Deputy Brutus paid a heavy price and others were simply not willing to risk exile or possibly even death to be here. Fear is building again -- fear of reprisal, fear of violent death, fear of vengeance, fear of what the day will bring, fear of what the night will bring.

This is not meant to suggest a lack of will to do the right thing by President Preval. The issue seems to be about capacity rather than will. His Administration operates under the long shadow cast by his predecessor and the reality of the weak mandate he had after the disappointingly low voter turnout in the December elections. President Aristide's efforts to form alliances with popular organizations, to build his own party, and his well-funded, national, campaign against economic reform through the Aristide Foundation for Democracy are also bringing pressure to bear on the Preval regime, further weakening its ability to operate.

The parliament is also coming under fire. Although the Lavalas majority is strong, their electoral platform found favor with the populist segments of Haitian society. Today, this platform is clearly at odds with the tough decisions yet to be made on privatization and the austerity package -- the key to getting the international aid dollars flowing again. Threats and intimidation against Deputies and Senators are reportedly on the rise.

Of course, this breakdown in law and order is carried out into the countryside. The Haitian National Police have been targeted in a recent series of brutal murders that suggests a deliberate effort to destabilize this still young security apparatus. There has also been a spate of disturbing events: local officials murdered, buses hijacked, and a young American citizen kidnapped. In some instances, the HNP have responded with rough justice rather than due process; in other instances, angry mobs have meted out their own form of extrajudicial justice. As we approach the end of yet another U.N. peacekeeping mandate this month, things are unlikely to improve.

The reports on the economic front are little better. After all of the money, time and effort invested by the international community, there appear to be few, if any, incentives for private investment in Haiti. Figures for unemployment range from the frightening 65% level to the truly alarming 85% level. Once again, the annual Haitian budget is expected to be heavily financed by international sources.

This grim assessment should make every American take pause and ask the very question you have posed today: Where has all the money gone? This question is being broken down into different Committee jurisdictions and is under review. The issues being looked at range from those regarding lack of assistance to U.S. businesses seeking to invest in Haiti, to possible misuse of election dollars, to the government of Haiti's possible "politicization" of U.S. aid by funnelling it through Presidential Commissions and pro-Lavalas NGO's.

There are some queries that can only be answered in Washington. Media reports regarding internal Administration e-mail suggest that there are questions to be asked about whether or not this Administration deliberately misled and bypassed the Congress regarding Haiti. Appropriate Committees are delving into this and have asked the President to declassify any documents relating to the investigations into the series of political murders in the months following the U.S. occupation of Haiti and the return of President Aristide.

I am pursuing another money issue: How did former Haitian President Aristide come into his apparent financial windfall? As you may know, under Article 279 of the Haitian Constitution, President Aristide was required to provide his parliament with an assessment of his financial assets as he left office. To date, we understand that he has not done so. We do know, however, that despite his humble beginnings and the poverty of his nation, President Aristide has recently expanded his 42 acre estate in Tabarre, has purchased a \$1.4 million second residence outside of Port-au-Prince, and created the well-endowed Aristide Foundation for Democracy. Ultimately, we have to ask: Did President Aristide enrich himself, not only at the expense of the Haitian people, but also at the expense of the American taxpayers?

This question can only be thoroughly explored by going back to the unanswered money questions relating to the period of President Aristide's exile. On March 15, 1996 Chairman Gilman contacted Secretary of the Treasury Rubin seeking detailed information on deposits into and disbursements from an account identified at "Government of the Republic of Haiti Account No. 1" at the Federal Reserve Bank of New York. This account was created to receive payments due the Government of Haiti during the period of the U.S. economic sanctions beginning October 4, 1991 and ending October 14, 1994. In a letter to Chairman Gilman dated April 1, 1996 from Richard Newcomb, the Director of the Office of Foreign

Assets Control and the Department of Treasury, the following information was provided:

"There were 94 credits to the account between October 25, 1991 and October 13, 1994 amounting to \$64,670,385.68...There are fourteen debits to the account between August 10, 1992 and September 22, 1994, amounting to \$45,157,842.21. All debits from the account during the period of the U.S. economic sanctions were done under licenses issued by the Office of the Foreign Assets Control at the request of the recognized government of Haiti, and with the certification of the Department of State, for expenditures related to the U.S. and worldwide operations of the Haitian Government. "

The Treasury Department then listed each of the 14 debit transactions totalling more than \$45 million in withdrawals, but there is no elaboration as to who specifically received these funds or for what specific purposes these funds were used. I then wrote to Secretary Rubin as well as Secretary Christopher on June 5, 1996 to request the U.S. Government's assessment of the total assets controlled by former Haitian President Aristide. I just received Treasury's response yesterday, which fails to shed light on the following issues:

First, did President Aristide illegally enrich himself through his access to Haitian Government funds -- both during his exile and after his return to the Haitian Presidential Palace in October 1994?

Second, who specifically received the \$45 million in Government of Haiti Account No.1? What specific purposes were these funds used for? Were the State and Treasury Departments sufficiently rigorous in their oversight of these frozen assets of the Haitian Government? If not, does the Congress need to take a closer look at tightening the relevant statutes used by the President to block funds of rogue states such as Iran, Iraq, Libya, and North Korea?

Third, will Secretary Christopher respond to a letter sent in April of 1994 by the democratically elected Chamber of Deputies seeking a thorough accounting of former President Aristide's expenditures while he was in exile? Will the Department of State assist the efforts of various members of the recently elected Haitian Parliament to determine if former President Aristide enriched himself after his return to power in October 1994?

I, like the Members of the Haitian Parliament, eagerly await the answers to these and many other questions.

I would like to conclude by saying that I have long believed that the most sorely missed element of the Clinton Administration's policy in Haiti -- in a long list of things it is missing -- has been candor. The answers to these and other questions are long overdue. This isn't simply about the important oversight role we play as Members of Congress; it's about being honest with Americans about what has or has not been done in Haiti with their tax dollars.

STATEMENT OF
JOHN P. LEONARD
DIRECTOR, DEPARTMENT OF STATE HAITI WORKING GROUP
BEFORE THE SUBCOMMITTEE ON WESTERN HEMISPHERE
HOUSE COMMITTEE ON INTERNATIONAL RELATIONS
JUNE 20, 1996

Mr. Chairman,

Thank you for the opportunity to appear before this subcommittee to review U.S. operations in Haiti. I understand the Committee is particularly interested in reviewing our assistance programs in Haiti, with a view toward ensuring that our money is being spent wisely and that there are not serious cases of waste, fraud or abuse.

Haiti has long been by far the poorest country in the hemisphere and, I would venture, the least developed in institutional and political terms as well. Poverty, repression and instability in Haiti have long been of concern to the United States -- not only as a good neighbor, but more concretely because of our national interest in mitigating the social and economic effects on the U.S. of Haitian migration. Successive U.S. administrations have sought to promote democratic political and economic development in Haiti for these reasons.

A major step forward was achieved with the holding of democratic elections in 1990. The previous Administration and Congress worked together to promote that positive result. And both the previous and current Administrations have worked together with Congress to oppose the coup in 1991 that unseated

the democratically elected President.

Many in Congress from both sides of the aisle questioned the judgment reluctantly reached by President Clinton in 1994 that the deployment of U.S. forces was called for, both to bring an end to the coup regime and to provide the stability and security necessary for Haiti to have an opportunity to begin building democratic institutions and a viable economy. But that disagreement on military means did not imply a disagreement on ends, and I believe that Congress and the Administration have done an effective job of pursuing our national interest in democratic stability and economic development in Haiti since the deployment of the U.S.-led Multinational Force in September 1994.

I would like to briefly report to you today on where I think we stand in those efforts. Assistant Administrator Schneider will describe our assistance programs, including the controls which are in place which aim to ensure that the assistance is used effectively. We share the determination of our colleagues in AID, and I am sure, of the Committee, to ensure that our programs contribute to the development of Haiti and that they are not subject to abuse.

* * *

With considerable help from the international community, the Haitian people have been given an opportunity to overcome the political and economic legacy of their country's sad history. On the economic front, after initial recovery following our intervention, the previous government's ambitious economic reform plan stalled in the run-up to the national presidential and parliamentary elections. Since the inauguration of the new President and members of Parliament in February, however, progress in economic reform has resumed. The Haitian government has reached agreement with the International Monetary Fund on a comprehensive program of free-market and fiscal reforms to lift the economy out of stagnation. The next step is for Parliament to pass legislation to implement such reforms, at which point the international support package will go to the IMF board. We are hopeful that the Haitian Parliament will support this essential package of reforms. But that will depend upon the case made to it by the Haitian government. The Parliament has begun to fill the checks-and-balances role prescribed for it by the 1987 Constitution, breathing new life into Haiti's fragile democracy, but also putting a premium on patient persuasion and consensus building.

President Preval has stepped up to this leadership challenge. He has explained to the Haitian people in his straightforward manner that Haiti must commit itself to

economic reform. Simply put, Haiti relies on international donors for about 40 percent of its budget. It is obvious, President Preval says, that Haiti must have access to loans at concessional rates from the international financial institutions to be able to make the necessary investments in infrastructure, electricity, telephones and roads, that will attract private investment and generate the jobs that Haiti sorely needs.

Apart from necessity, he and his colleagues are also presenting to the Haitian people a vision of the opportunities for self-sustaining economic growth which those reforms provide. President Preval, the Government of Prime Minister Smarth and many members of Parliament are demonstrating a significant measure of political courage and fortitude in shaping and steering through Parliament a comprehensive, serious and promising package of macroeconomic reforms:

-- The budget law they have submitted would introduce new fiscal control mechanisms, including methods of restraining spending and limiting it to the amount of available resources.

-- A flexible privatization law would set up a Council for the Modernization of Public Enterprises to determine how each of Haiti's nine parastatals should be privatized, choosing between management contracts, concessions and a capitalization model in

which the State could retain up to 50 percent of the shares with the private investor having management control. The State's share of dividends from privatization would be distributed 50 percent to municipal governments, 35 percent to rural governments, and 15 percent to the old-age insurance fund.

-- Another key law on reform of the public administration would pave the way for a dramatic reduction in the size of Haiti's bloated civil service -- including the elimination of the practice of employing "zombie" or "ghost" workers, which is a traditional form of corruption at the expense of the Haitian people.

We are guardedly optimistic that these laws will be passed by the Haitian Parliament within the next couple of months. This will help pave the way for an Enhanced Structural Adjustment Facility by which the IMF will provide Haiti with approximately \$136 million in budget support over three years.

Since the collapse of negotiations with the IMF last October, Haiti's economy has made slow progress at best. According to IMF projections, real GDP for fiscal year 1996 will grow by 2 percent, compared with 4.5 percent for fiscal year 1995, while inflation is slowing from 18.2 percent last year to a projected 14.6 percent for the current fiscal year. Even these figures compare favorably with those from the coup

era when GDP declined about 30 percent in three years and inflation reached 52 percent per annum.

Haiti's trade deficit is projected by the IMF to be \$337 million this year, with imports of \$446 million and exports of \$109 million. Remittances from abroad -- often the lifeblood of the many Haitians with relatives abroad -- are expected to total \$114 million. On the plus side, the all-important assembly sector continues to rebound, with total employment surging in the first six months of 1996 from 12,600 to 19,442, more than half the pre-embargo level. The electrical power supply has also improved markedly in Port-au-Prince, as have traffic conditions. Still, new investment by the private sector is lagging. This is due in part to a wait-and-see attitude by the business community, difficulty in obtaining commercial credit, and concerns over the security situation.

* * *

Around Port-au-Prince, there has been a great deal of attention lately to an increase in personal and property crime. Most disturbingly, there have been over half a dozen murders of police officers and two high-profile kidnappings. The brand-new civilian police force, the Haitian National

Police (HNP) is young and inexperienced, and it has suffered from a lack of competent mid-level supervisors and resources.

President Preval and the Smarth Government are committed to the success of the HNP, and our active support for their efforts will remain strong for a considerable period to come. Having completed early this year the basic training of the 5000-person force, we have now turned our efforts to more specialized training. ICITAP instructors are providing specialized training to select HNP officers in such areas as crowd control, operation of firearms and VIP protection. Most importantly, experts with our International Criminal Investigative Training Assistance Program (ICITAP) are working closely with the Haitian government in recruiting and training qualified individuals to fill mid-level supervisor positions. Finally, the U.S. recently provided assistance from military stocks to help the HNP fully equip itself, utilizing excess property authorities, as well as remaining FY 95 FMF financing and drawdown authority. We have thoroughly briefed Congressional staff on our support for the HNP.

* * *

Two hundred years of rampant corruption and governmental neglect have left deep marks on Haiti's justice system, but halting progress is being made. The Government has

acknowledged that judicial reform is critical, and is working with the international community to address some of the problems plaguing the system. As these initiatives continue, we are paying considerable attention to how the Haitian government has responded to the two dozen or so execution-style killings which occurred in Haiti in 1994 and 1995. A critical first step was the removal from the security forces several months ago of a number of individuals who we had reason to believe were implicated in these offenses, and in creating obstacles to both the FBI and Haitian investigations of these crimes. Ending the climate of impunity for security personnel who commit crimes is of major importance in the development of the rule of law.

Seeing that those who were responsible for the killings are brought to justice is the other half of the equation. In this regard, the Administration has made clear to the Government of Haiti at all levels that a thorough investigation of the killings is crucial both to help further establish the rule of law and to maintain international support. Congress sent a similar message last January in the form of Section 583 of Public Law 104-107 (the Dole Amendment) which prohibits the provision of assistance (other than humanitarian and electoral assistance) to the Government of Haiti unless the President reports to Congress that the Government of Haiti is conducting thorough investigations of political and extrajudicial killings

and is cooperating with American authorities in this respect. We have and will continue to consult closely with Congress on Haiti assistance issues, including the Dole Amendment.

A Special Investigative Unit (SIU) was established last fall to investigate notorious homicides going back to the 1980's, including the cases that have occurred since the return of democratic government. But as was the case with economic reform and other crucial action, progress on the investigations stalled in the period preceding the Haitian presidential election. Progress has resumed since President Preval's inauguration. In addition to removing the suspects from the security services, the new government has moved to reinvigorate the SIU, appointing a full-time director. The investigative police trained by ICITAP and assigned to the SIU have returned to their duties after the previous government drew them off to other cases, and an additional 27 investigators have been added to the unit. The UN Civilian Police have provided advisers, and the Department of State has contracted two experienced investigators to work with one team of SIU personnel on a number of the killings which occurred since late 1994. The U.S. advisers have helped the SIU team develop investigative strategies on the cases on which they are working, and they have begun the laborious process of interviews, following up leads and the like that are crucial to a successful investigation. The FBI has briefed the investigators on its

own investigation of the March 1995 killing of Mireille Durocher-Bertin, and has answered follow-up questions and offered assistance in forensic laboratory work. We have provided members of this Committee's staff with copies of classified reports from the Embassy on the progress of investigations, we have briefed Committee staff on numerous occasions on this issue, and my colleagues and I are available to answer more detailed questions on a classified basis. The judicial branch has begun to provide greater support, but a full-time investigative magistrate and first-rate prosecutor are still being sought to work with the SIU on a regular basis. We continue to press the Haitian government on this point.

* * *

An extension of the international security presence beyond the 30th of this month -- when the mandate of the UN Mission in Haiti expires -- should provide additional breathing space to foster the strengthening of Haiti's democratic rebirth in an atmosphere conducive to economic and social development. President Preval has requested such an extension, and we hope that the UN Security Council will approve arrangements to ensure that international peacekeeping troops and civilian police will continue to support the efforts of the HNP to provide the secure conditions under which the Haitian

Government and people will take responsibility for the future development and advancement of their country. Discussions will be underway shortly at the United Nations in New York on this matter, so that we do not know yet the exact size and nature of the force which would succeed the current UN Mission. As the Committee is aware, the United States does not have any forces in Haiti which are part of the UN Mission. Guarding the country's political stability and internal security are essential preconditions to addressing the range of serious economic, political and social problems Haiti still confronts. The U.S. and other governments are committed to assisting in this effort, but only the Haitians' own resolve and ability to make difficult decisions will determine success or failure in the end.

* * *

There are naturally profound problems that continue to afflict Haiti, by far the poorest and most backward country in our hemisphere with per capita income below \$300 a year, a total fertility rate of 4.8 births per woman, and an infant mortality rate of 74 deaths per 1,000 live births. Statistics like those do not lie, and it is important that the United States continue to work actively on the ground in Haiti to help the Haitians improve their own situation, so that they do not

try to resolve their problems by fleeing to the United States, as they have done in the past.

We have a nearly \$2 billion investment in Haiti's restoration, and as others in the Administration and Congress have pointed out, it is better to keep protecting that investment than to disengage and pay the consequences later. In this connection, it is sometimes asked whether restoring democracy in Haiti has been worth the costs. Our efforts in Haiti in FY 1994, the year before President Aristide's return, cost nearly \$560 million. Much of this was spent in the last quarter of the year in preparing for President Aristide's return, but almost \$300 million of this went to pay for migration and safe haven operations, sanctions enforcement, and humanitarian assistance. In the first half of FY 1995, i.e. up to March 31, 1995, when the U.S.-led Multinational Force completed its task, the U.S. spent \$600 million on Haiti-related operations and assistance for an 18-month total of about \$1.2 billion.

Since then, U.S. Government expenses in Haiti have dropped dramatically. U.S. operations and assistance to Haiti in the second half of FY 1995 dropped 50 percent from the first half to \$300 million. This year, FY 1996, U.S. assistance to Haiti is expected to be approximately \$120 million; and a similar amount is anticipated for FY97. This compares to our FY91

(pre-coup) assistance of \$80 million. It should also be noted that during the first two years of the de facto regime, i.e., FY 92 and FY 93, U.S. humanitarian assistance to Haiti totaled \$107 million.

Supporting democracy has thus already proven more cost effective than dealing with the consequences of tyranny. It is unquestionably a better investment, one which will prepare the basis for increased private sector investment in Haiti, a prerequisite for sustainable economic development.

Given Haiti's long history of misgovernment and corruption, it is obviously a concern of this Administration that our extensive support over the last several years not be wasted. We therefore welcomed the recent GAO investigation into the effectiveness of AID's internal controls on our assistance program in Haiti, and are pleased that the program received a clean bill of health. We will of course comply fully with future inquiries from the GAO or Congress on this subject. The Administration is likewise concerned with the occasional reports coming out of Haiti about irregular financial transactions, e.g., the recent forgery of at least several million gourdes' -- at least a half million dollars' -- worth of treasury checks. Fortunately, the perpetrators of this fraud have not been able to act with impunity. Haitian

authorities have made several arrests and are actively investigating this crime.

* * *

Whether Haiti takes the path to a better future or returns to her old ways is up to the Haitian people and their government. We believe they have the determination, the will and the powers of perseverance and sacrifice to build on the gains which have been made since 1994 so they can bring their country into the 21st century. But Haiti remains a beleaguered country clearly in need of assistance from the international community, and it is in our interest to continue to play a leading role in helping Haiti.

TESTIMONY OF MARK L. SCHNEIDER
 ASSISTANT ADMINISTRATOR FOR
 LATIN AMERICA AND THE CARIBBEAN
 U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
 BEFORE THE
 SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS
 COMMITTEE ON INTERNATIONAL RELATIONS
 U.S. HOUSE OF REPRESENTATIVES
 JUNE 20, 1996

Mr. Chairman, Members of the Committee,

I am pleased to again appear before this distinguished Subcommittee on Western Hemisphere Affairs to discuss with you the impact of USAID assistance programs in Haiti. I want to express my appreciation to the Chairman for the opportunity to review what we have accomplished in the Western Hemisphere's poorest and least developed nation, as well as the problems we continue to face.

The United States Government has led an extraordinarily successful effort to internationalize assistance to Haiti. Since the return to democracy to Haiti, donors have pledged some \$2 billion to support humanitarian relief, creation of democratic institutions and economic recovery. By the end of this fiscal year, the United States contribution will constitute less than 20% of all donor commitments to this common effort, approximately \$350 million for FY 1995-96. Donor coordination in Haiti represents an important example of international burden-sharing.

Let me give you several examples of what has been achieved with U.S. funds to directly affect the lives of people:

- We have provided health care to as many as two million people--one-third of the population--and food to more than one million per day - mostly women and children.
- We have supported the creation of a civilian-controlled police force, with a police academy opened in January 1995 and over 5,000 recruits trained.
- We have assisted in a series of peaceful elections, each one progressively more efficient than the last, culminating in the election of a new president, the first non-violent transfer of authority in 200 years, and the first-ever popularly elected mayors and local councils.

- We have taken the lead in creating a judicial training academy which initially trained over 400 judges, prosecutors and court personnel and has provided further intensive training to nearly 300 court officials; a national prison rehabilitation program has been initiated; some 500 improperly detained prisoners have been released; more than 2,000 victims of human rights abuses and their families have been assisted.
- More than 2000 local community infrastructure projects, ranging from repairing and building schools and health centers to repairing water systems and farm to market roads have been completed or are underway involving those local governments.
- Another program created emergency jobs managed by NGOs which employed some 50,000 Haitians to clear silt-filled irrigation canals opening 120,000 acres of farmland, repair roads, bridges and protect watersheds. The USAID-financed model was so successful that it was adopted lock-stock-and-barrel by the World Bank which has financed its continuation with a \$55 million loan.
- Microenterprise loans reach 1000 small businessmen and women and our agriculture credit guarantee program has helped boost mango exports to \$14 million and start a tomato processing plant that will employ 500 Haitians and provide a market for 5000 small farmers.

In all of our efforts, the United States Government has undertaken extraordinary actions to be sure that our aid is reaching the intended beneficiaries. The GAO and our own Inspector General have found no evidence to support any allegations to the contrary. In fact, the GAO briefing document of June 6, 1996, states that there is "no evidence that USAID assistance was diverted or benefited current or past GOH officials."

Mr. Chairman, we believe that Haiti's future requires that the private sector, especially small farmers and small businessmen, have the opportunity to invest and lead that nation's economic recovery. The private sector will be the source of permanent job creation. For that investment, whether Haitian or foreign, to occur, sound economic policies are essential.

Prior to last October, significant structural reforms were instituted and a very real sense of positive momentum emerged as private sector investments began to pick up. Reforms adopted by the government included: canceling the 40 percent export surrender requirement; eliminating remaining restrictions on imports; putting into effect the first phase of the customs reform; unifying reserve requirements applicable to commercial banks; and suspending statutory ceilings on interest rates. The electricity company reduced its staffing levels and raised tariffs generally according to plan and a start was made on planning for privatization of parastatals.

But in October 1995, negotiations between the IMF and the government of Haiti collapsed, creating grave concerns in the international community. The subsequent period of general inaction on economic reform and slowly deteriorating economic conditions, during the Presidential campaign, undermined the positive momentum that had been established since the return of democracy to Haiti in October 1994. Haiti's economic recovery stalled, the effort to encourage private investment ground slowly to a halt and urgently needed programs to boost resource flows to the poor and disadvantaged were delayed.

The situation now is considerably more promising, although no one should underestimate the magnitude of challenges that still lie ahead. When President Preval visited Washington in March this year, he said he would resume negotiations with the IMF by April 15 and expected to conclude an agreement by May 15. Many skeptics doubted that this ambitious schedule could be met. But negotiations did resume by April 15 and by May 15 there was substantial agreement on the main outlines of the reform program.

We now have an agreed Letter of Intent from the Government of Haiti outlining a solid reform program, and an extensive legislative agenda has been placed before the Haitian parliament.

Based on this progress, the international community met in Washington on June 12 and pledged their support of the reform program, including specific commitments to ensure that the government's financing requirement for FY 1996 and 1997 will be met, if that program is approved. The United States stated that we are prepared to reprogram \$15 million for budget support this fiscal year, subject to congressional notification and consultation. The total donor budget support pledge was more than ten times this amount, clear evidence of strong international support for Haiti's economic recovery, if sound policies are set in place.

As a result of the progress made over the past several months, Haiti has pulled out of a downward economic drift. Economic growth is projected to increase beyond the FY 1995 4-5 percent level; inflation is relatively level dropping from 50% to less than 20%; the currency is stable at 15 gourdes per dollar; and assembly sector jobs now have reached 20,000, more than half the number attained before the 1991 embargo.

US economic assistance has been an essential element in this historic transition, helping to bring Haiti back from the edge of economic and societal collapse. But we must stay the course to consolidate the gains made thus far and help ensure Haiti's continued progress toward a more prosperous future.

Let me now provide more detail of what has been accomplished since the end of the de facto regime and the return of President Aristide

1. U.S. ECONOMIC ASSISTANCE

The USAID foreign assistance program has focussed on relief, national reconciliation, restoration of constitutional democracy and recovery of the economy. In each of these areas, our assistance has set the stage for a gradual shift away from providing direct services to establishing Haitian systems that progressively rely less on external resources.

A. Relief

Health Care. USAID reactivated emergency health care services by rehabilitating maternity hospitals and health centers in secondary cities and supporting basic health care service delivery. At its peak, this USAID effort, operating through NGOs and PVOs, reached over two million people, approximately one-third of Haiti's population, and is now providing basic services to about 950,000 mostly women and children, in 20 areas. USAID also helped finance a government/NGO vaccination campaign which immunized 600,000 children against polio, measles and DPT and other preventable diseases.

Feeding Program. USAID's safety net activities include an intensive feeding program which reached approximately 1.2 million people per day, including children and the elderly. Approximately 78,300 MT (valued at \$42 million) of various food commodities were distributed in Haiti in FY 1995.

As a result of these efforts, levels of infant mortality, contraceptive prevalence, maternal mortality, low birth weight and the nutritional status of children under five years in areas served by USAID programs were better than the national average.

Overall health statistics have improved, including child nutrition dropping by 26% since the restoration of the constitutionally elected government of President Aristide.

B. Reconciliation

Civilian Police Force. After nearly 200 years of a military-dominated police force, The USG is supporting a program to establish a trained and well-managed civilian Haitian National Police (HNP) force. The Police Academy opened in January 1995 has provided four months of basic training to over 5,000 recruits. The USG program is also helping to build strong management, supervision and internal control systems for the new HNP.

Demobilization and Reintegration. USAID is also implementing a program to demobilize and reintegrate former members of the military into civil society. The program consists of counseling, assessment and job training. Approximately 5,482 former soldiers and interim police have registered for vocational training and 3,332 of them have graduated from 23 Haitian vocational schools, and 1,545 are in training.

Human Rights Fund. To redress serious human rights abuses, USAID provided assistance to 2,000 victims and 14 families, including victims of opposition attacks following the arrival of Multi-National Forces, through a Human Rights Fund. After the March 6 killings in Cite Soleil, civil unrest in several cities in November 1995 and some 20 killings during the past year, USAID re-established this Fund. It will assist victims of human rights abuses, improve human rights monitoring and legal assistance capabilities, and strengthen citizen oversight of police.

C. Restoration of Democracy

Parliamentary, Local Government and Presidential Elections. USAID provided \$9.8 million to the United Nations-managed Elections Trust Fund and an additional \$6.1 million to non-governmental organizations to support the parliamentary, local government and presidential elections. USAID helped produce the registration lists and ballots, support civic education campaigns and party media efforts, train poll workers, and field monitors and observers. As a result, in steadily improved and peaceful elections, the Haitian people selected their new parliament, local government officials and -- for the first time in their history -- participated in the transition from one democratically elected president to another.

The OAS Official Observers final report stated, "Observers noted few irregularities in the voting and compilation procedures during the recent presidential elections. Furthermore, these

elections were by far the best organized of all the elections held in Haiti since June 1995. There was evidence of improvement in, *inter alia*, the organization of the delivery and receipt of material; in the selection, training and remuneration of electoral personnel; in the organization of space, and in understanding of the procedures."

Support for the Parliament. To date, USAID has renovated the archives room, provided basic office supplies and furniture, as well as 20 computers, peripherals and training for 40 administrative staff. A legislative database comprising the Haitian Constitution and four legal codes has been established. A conference on rules and procedures and the budget process was held on February 3 and attended by 80 out of 100 parliamentarians. Technical assistance has been provided in budget analysis, decentralization and the drafting of a parliamentary career law. A directory of parliamentarians will be published in June. Specific plans for further technical assistance and commodities is now being developed.

Administration of Justice. Working closely with the French and Canadians, USAID has taken the lead in establishing Haiti's first-ever judicial training academy. About 400 justices of the peace, prosecutors, investigating justices and trial court judges have had short-term training. About 270 judges, prosecutors and court clerks have had more intensive training at this facility.

Follow-up programs are underway in six locations to help establish model courts and prosecutors offices. Criminal court sessions have resumed, with improved procedures. Basic equipment and law books have been provided to courts and Justice Ministry offices, and a case-tracking system is being introduced. A program is now underway to support human rights organizations, law faculties and bar associations in provincial areas where the worst human rights abuses occurred in the past. This has resulted in the release of about 500 prisoners found to be improperly detained. A national prison rehabilitation program has also been initiated with USAID funding.

Community Development. Immediately after the intervention of the Multinational Force, USAID supported a nation-wide community self-help program which thus far have financed 1900 small community development projects in 106 of Haiti's 133 Communes. An evaluation of this effort demonstrated that our assistance that our assistance was effectively targeted to local groups and communities, and that these groups greatly benefitted from a chance to work together to address priority needs in their communities. Further, the evaluation found that these small-scale projects that build schools, repaired water systems, constructed bridges and renovated port facilities were well-

designed, well-constructed and led to improvements in the quality of life of those communities.

Building on that success, USAID is now assisting with a longer-term program to strengthen Haiti's first democratically elected local governments. A pilot local government training program in 27 municipalities and 107 adjoining rural districts is nearing completion, and an initial program to support local community development projects will get underway shortly.

D. Economic Recovery

Balance of Payments and Clearing Arrears. USAID used \$40 million for balance of payments support to increase the availability of foreign exchange and generate local currency needed to maintain essential government services. USAID also contributed \$25 million to a multilateral effort to clear \$83 million in arrears to International Financial Institutions which led to release of \$230 million in donor funding for economic development.

As a result of this support and technical assistance provided to the GOH by USAID and other donors, the Haitian economy has started to revive. Specifically, in FY 1995 GDP increased by 4.5 percent after a decline of 11 percent during the previous 12 months. Inflation has been significantly reduced and the currency has stabilized at about 16 Gourdes to the dollar compared to 21.5 during 1994. Assembly sector jobs, nonexistent in 1994 climbed to about 12,000 jobs by the end of 1995 and most recently have reached nearly 20,000 -- slightly more than half the level attained before the economic embargo was imposed in 1991. In 1995, tax collection as a percentage of GDP was 7.8 percent compared to 3.3 percent in 1994, and the public sector deficit was cut to 1 percent of GDP in FY 1995 compared to 6 percent in FY 1994.

Short-terms Jobs Program. During its peak, USAID's \$38 million job creation program provided jobs for about 50,000 Haitians per day, totalling of about 517,000 person-months of emergency employment for approximately 150,000 people. Of these, about 20 percent were women. This program repaired 2,000 km. of rural farm-to-market roads; 4,000 km. of irrigation canals servicing 120,000 acres of farmland; and other rural infrastructure. This program served as a model for a \$55.2 million World Bank project.

Agriculture and the Environment. USAID's sustainable agricultural projects have reached about 80,000 farmers (440,000 rural beneficiaries), increasing production and farm income and enhancing environmentally sound resource management. Our small

enterprise credit program has provided over 1,000 loans to small business owners.

USAID is also providing resources to prevent further environmental degradation and soil erosion, develop a long term national environmental plan, and plant annually five million trees. USAID efforts to improve resource management and agricultural practices have helped 84,000 farmers to increase their agricultural production and farm incomes.

2. ECONOMIC REFORM AND IMF NEGOTIATIONS

Economic Reform is Essential. Although donor assistance to Haiti has reached extraordinary levels, this cannot continue indefinitely and there must be fundamental changes in order to put Haiti firmly on the road toward sustainable development. Public sector wages consume most revenues leaving little for social or capital investments. Inefficient state-owned enterprises drain tax revenues and yet do not provide basic services.

The report of the House Appropriations Committee underscores the importance of the Government of Haiti embarking "upon a meaningful restructuring of the Haitian economy through open free-market reforms. The privatization of parastatal companies, an urgent overhaul of public sector spending and fiscal policies and strict accountability for the effective use of donor resources are expected core reforms which must be undertaken immediately." The administration fully concurs with this assessment.

IMF Negotiations. A comprehensive economic reform program is outlined in the Government of Haiti's Letter of Intent and Policy Framework Paper which are being finalized for consideration by the Boards of the IMF and World Bank. It contains an impressive list of specific steps that must be taken by the Government of Haiti before the plan can be considered by the IMF Board, as well as specific follow-up steps that the Government of Haiti is committed to undertaking after IMF Board approval.

The legislation submitted to the Parliament includes a framework law establishing the mechanisms for privatizing some 20-odd parastatals, reducing the civil service, and tax legislation as part of a fiscal reform program.

We also plan to provide project funds to support retraining elements of the government's ambitious civil service reduction and reform program.

In coordination with the IMF, we are developing plans for long-term technical assistance to the Ministry of Economy and Finance to help implement the economic reform program.

Mr. Chairman, I want to assure you that we take each and every one of these allegations very seriously. Where there have been suggestions of improprieties, our mission in Haiti has taken the initiative to ask the Inspector General to open an investigation. Yet, despite these allegations, there is no hard evidence to support the assertion that USAID funds have been improperly diverted. An early audit of our food aid program by the USAID Inspector General revealed that in the early days of our assistance, shortly after the intervention of the Multinational Forces, the security situation was uncertain and there was some looting of food aid shipments. But there was no evidence of systematic fraud or misappropriation, and with the establishment of a secure environment, USAID has been able to take steps to bring losses down to levels consistent with our worldwide standards.

The General Accounting Office recently completed a review of USAID assistance to Haiti and the adequacy of our financial controls. After looking at five important activities involving tens of millions of dollars, they concluded that there is no evidence that USAID assistance was diverted or has benefitted current or past Government of Haiti officials.

We have been told that there were so few problems found during this review of our program that no further effort will be expended on this audit and no formal report will be produced. An earlier GAO audit of our elections assistance similarly concluded that despite extremely difficult circumstances there was no evidence of systematic misuse of USAID assistance.

3. CONTINUING CONCERNS

Poverty. With less than \$300 per capita GDP, economic frustration and poverty remain underlying causes of social tension in Haiti. 75% of the Haitian population lives in rural areas, and 75% of those live in poverty.

Slow Economic Growth. Political stability and the consolidation of democratic institutions depend to a great degree upon increased prosperity for Haiti's poor majority. Private sector investments are critical to generating the jobs that will help lift Haiti's poor. Thus far, however, private investment necessary for sustained economic growth has been hindered, largely because of inadequate roads, port problems, unreliable electric supplies, and, until recently, lack of progress on economic reform.

Environment/Population Growth. Haiti's long-term challenge is to halt the environmental degradation which has denuded its forest and threatened its remaining watersheds. Without wiser management of those natural resources, its capacity for sustainable economic growth will be undermined. The extremely high levels of population growth also add to the natural resource pressures.

Justice and the Rule of Law. Building a new system of justice and strengthening the rule of law, including the police force, courts and legal system in order to protect the basic human rights of all Haitian is a third major challenge. We recognize that this will not be achieved easily. It will take time to secure the foundations for a democratic society. But it is absolutely vital.

Nonetheless, we must see continued progress in the protection of basic human rights, including investigations of politically motivated murders, and in the effective functioning of the criminal justice system.

The challenges faced by Haiti will not be resolved in a single year. Nevertheless, it is clearly in the United States national interest to insure that continuing progress does take place and the Haitian people see that progress in meeting those challenges.

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U.S. HOUSE OF REPRESENTATIVES

PERMANENT SELECT COMMITTEE

ON INTELLIGENCE

WASHINGTON, DC 20515-6415

June 5, 1996

The Honorable Warren M. Christopher
 Secretary of State
 Department of State
 2201 C Street, N.W.
 Washington, D.C. 20520

Dear Mr. Secretary:

I am writing to request any and all cables, memoranda, electronic mail or other documentation related to your Department's assessment of the total assets controlled by former Haitian President Jean Bertrand Aristide. This assessment should reflect any information available to the Department from December 16, 1990 through today.

It is my understanding that numerous members of the Haitian Parliament recently petitioned former President Jean-Bertrand Aristide to present an inventory of all of his assets following his tenure as President of Haiti. Haitian news reports indicated that Mr. Aristide had been most reluctant to disclose his total assets, despite the legal requirements imposed upon him by Article 279 of the Haitian Constitution. It was subsequently reported in the *Le Nouvelliste* newspaper that Mr. Aristide filed an asset report with the Port-au-Prince Civil Court on April 24, 1996.

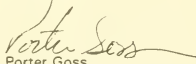
Other recent news reports indicate that Mr. Aristide has apparently been the beneficiary of a substantial financial windfall. For example, it has been reported that Mr. Aristide has significantly improved his private 42 acre residence at Tabarre; these improvements have included the purchase of adjoining properties as well as major renovations to his main residence and adjacent buildings. Other accounts note that Mr. Aristide and his wife recently purchased another residence near Port-au-Prince for approximately \$1.4 million. Lastly, it has been reported that Mr. Aristide established the Aristide Foundation for Democracy in late February of this year; news reports indicate that the Aristide Foundation has staged at least one major conference to attack the Preval Government's economic policies and has been coordinating a well-financed national campaign against the Preval Government's privatization initiatives.

The Honorable Warren M. Christopher
June 5, 1996
Page Two

I remain concerned that Mr. Aristide's new-found wealth is the product of his role as President of Haiti; I am disturbed that he may have enriched himself not only at the expense of the Haitian people, but also at the expense of U.S. taxpayers. I would therefore be most grateful if you could assure me that a thorough and comprehensive review of relevant intelligence information collected by your Department since December 16, 1990 can verify that Mr. Aristide has not illegally enriched himself through his access to Haitian Government funds, from whatever source including, but not limited to, tax receipts, U.S. and international foreign assistance, undisclosed payments from foreign governments, and those funds that were overseen by the Treasury Department's Office of Foreign Assets Control (totalling \$51,319,320 under Treasury Department Licenses H2-0014 and H2-0017) during the period of the *de facto* Cedras regime.

I look forward to your prompt and detailed response to this request.

Sincerely,

A handwritten signature in dark ink, appearing to read "Porter Goss", with a long horizontal flourish extending to the right.

Porter Goss
House Permanent Select Committee
on Intelligence



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Translation - French

Chamber of Deputies
Office of the President
Republic of Haiti

Nr 102

Port-au-Prince, April 28, 1994

His Excellency
Mr. Warren Christopher
Secretary of State, U.S.A.
Department of State
Washington, D.C.

Mr. Secretary:

With reference to:

1- The Constitution of the Republic of Haiti in articles: 220, 222, 223, 224, 225, 227, 227-1, 227-2, 227-3, 228, 228-2, 230, 232.

2. The Haitian Law of September 11, 1985 concerning public finance in articles: 1-3, 1, 10, 17, 18, 19, 22, 28, 29, 30, 31, 33, 35, 36, 37, 39, 40, 49, 50, 51, 53, 54, 62, 63, 61, 67, 68, 76, 77-2, 81, 82, 85, 86.

The Office of the Chamber of Deputies, following a meeting held with the Office of the President on Wednesday, last April 15, and after the appropriate discussions, has decided to take action on the request of the Permanent Commission at the Ministry of Finance

Restricting itself to its constitutional powers to oversight of the Executive Branch, the Office of the Chamber of Deputies would like to obtain as quickly as possible a statement of the accounts from which funds have been withdrawn for the President of the Republic, the Haitian Embassy in Washington, or any other persons from October 1991 to April 1994, as well as any documentation justifying the disbursements requested

CRS-2

Convinced of a favorable and immediate follow-up to this letter, etc., etc.

~~FRANZ~~ François Robert MONDE
President
Chamber of Deputies

Enclosure: a photocopy of the request from above-mentioned commission

cc: -- Cour Supérieure des Comptes
-- American Embassy
-- Ministry of Finance



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